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PRIORITY DEPARTMENT OF STATE ACTION
(Security Classification)

FOREIGN SERVICE DESPATCH
REVIEWED BY J.W. Raz DATE 5/68

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611.73/11-459
XR 873.2612
873.255

FROM : American Embassy, BENGHAZI 140 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : Embassy Despatch No. 64, August 19, 1959

NOV 10 1959

811.05173 November 4, 1959 DATE

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ACTION OF TO DEPT. L-2 IC A-11
AF-5 RMR-7 REP-1 IRC-8 E-7 EUR-5 U/MSC-3 U/IGC-1
RECD 11/16 FOR OTHER
CIA-10 OSD-4 ARMY-4 NAVY-3 PIR-1

SUBJECT: Minister of Communications Informed of American Position on U.S. Financing of Fezzan Road.

Almost a year after the GOL decided, in the face of repeated American warnings, to grant the Fezzan Road construction contract to SAASCO without having undertaken prior comprehensive engineering surveys, the Road remains a very live issue indeed. Over two months have elapsed since the Ambassador informed the Prime Minister that American financial contributions to Fezzan Road construction are legally impossible as long as the SAASCO contract is in force. (Embassy Despatch No. 68, August 28, 1959) The GOL has given no indication in the meantime that it intends to nullify the contract; on the contrary it seems to be exploring every possible means of avoiding this course, though its inability to meet the soaring costs of the road are causing financial embarrassment to itself and SAASCO alike. (Our G-46, October 13, 1959) G-52 873.053/10-1359

One of the GOL's stratagems apparently has been to seek somehow to identify the Americans, in the public eye, with the road. As reported in the despatch under reference the Minister of Communications, Nasir al-Kizza, on August 18 invited the Ambassador, along with the Country Director/USOM, to visit Fezzan Road construction sites. The Ambassador, to the Minister's disappointment, requested that such a visit be postponed until late September.

If Mr. Kizza was informed meanwhile by the Prime Minister of the Americans' continuing refusal to consider participating in Fezzan Road construction without SAASCO's contract being canceled first, it did not seem to slacken either his hope that we might somehow be brought back into the picture or his insistence that the Ambassador visit the road site. To the Americans it became increasingly clear that any visit Mr. Brown and he might make to the road would be exploited unmercifully by the Minister. Furthermore, because of the financial difficulties which the road has brought down on the GOL and SAASCO, American association with the project at this stage, no matter how innocent, would have been singularly inappropriate. Therefore, it was decided that neither the Ambassador nor any of his officers would visit the site.

This decision, at the Ambassador's request, was conveyed to Mr. Kizza by the Country Director/USOM on October 13. The Minister took the refusal in good grace and protested the innocence of intent which had prompted the invitation. He said that the American position would adversely affect relations between the Libyan and American Governments and he called for a meeting of himself, the Ambassador and various technicians to discuss the whole problem.

HHStackhouse:mayt
REPORTER

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On October 27 the Minister paid what he described as a "courtesy" call on the Ambassador. A memorandum of conversation is attached. His manner was curiously subdued, perhaps because his hopes that American intransigence would dissolve were fading, perhaps because, with the Prime Minister seeing the King at that very moment, and strong rumors of cabinet change in the air, he was uncertain of his own future. He said that cancellation of the SAASCO contract was impossible; that if the Americans and Libyans could sit down together all the differences could be resolved; and that the Fezzan Road is not as important as good Libyan-American relations are. For his part, the Ambassador was able to explain to the Minister his reasons for not visiting the Road construction site. He also, for the first time, had an opportunity to review with Mr. Kizza in summary form the history of our interest in the Road and the reasons for our present seeming intransigence. Considering the state of lateral communications in the Libyan Government, it is just possible that Mr. Kizza was hearing the American case in reasonably complete form for the first time, although it has been presented previously in detail to Prime Minister Kubar.

A recent conversation of the Prime Minister with the Italian Ambassador gives some hope that the Fezzan Road problem, which has proved so exacerbating in our relations with the GOL, may be turned off in a new direction. On October 26 the Prime Minister told the Italian Ambassador that he had a "new idea" about the financing of the Fezzan Road. Without going into details, he said that he had thought of approaching the oil companies to see if they would not like to "advance" the money to complete the construction of the Road. It was not clear to Sig. Mondello whether Kubar's idea was to borrow money from the oil companies against Libya's future earnings, or whether he wanted the oil companies themselves to finance the undertaking. In any event, it sounds as if the Prime Minister at last has accepted the fact that we cannot participate in financing the Road under present conditions.

For the Ambassador:

Harrison M. Symmes
First Secretary of Embassy

Enclosure:

Memo of Conversation dated 10/27/59

CC: Amembassy Tripoli
USOM/Benghazi

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MEMORANDUM OF CONVERSATION

DATE: October 27, 1959

SUBJECT: FEZZAN ROAD

PLACE: American Embassy, Benghazi

PARTICIPANTS: Nasir al-Kizza, Minister of Communications
J. Wesley Jones, American Ambassador
H. H. Stackhouse, Second Secretary of Embassy

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The Minister had asked to pay a courtesy call on the Ambassador but after the initial pleasantries were over he seemed to have little else to say. The Ambassador, recognizing what was probably uppermost in the Minister's mind, opened the substantive part of the conversation by expressing regret that he had been unable to accept the kind invitation of the Minister to visit the Fezzan Road construction work. Mr. Jones said that he was sure that the Minister understood our position in this regard as explained to him by Mr. Brown.

The Minister replied that this was merely a friendly call on the Ambassador and that the question of a visit to the Fezzan Road was "not important". He said that his purpose in inviting the Ambassador was not to embarrass him in anyway or to appear to associate him with responsibility for the Road. It was, he continued, "for the Ambassador's knowledge, just to have a cup of tea". The Ambassador said that he understood this very well but that he was concerned about what the people and the press would say if they were to see him, the principal American representative in the country, visiting this important project with a high official of the Libyan Government, such as the Minister.

The Minister replied that what the people and the press say about these things does not really matter. Mr. Kizza then opened a new theme by saying that he believed that the Americans and Libyans, approaching their tasks in a proper spirit, could amend the present Fezzan Road contract to the mutual satisfaction of both sides. He said that there is agreement in principle on the Road, and that he believed that the details of its execution could be worked out.

Mr. Jones replied that it was true that there is agreement in principle that a Fezzan road is desirable. He went on to trace the course of early discussions on this subject and to describe to the Minister the exact extent of our agreement. Mr. Jones recalled that initially American technicians had been unenthusiastic about supporting the construction of a Fezzan road but they had finally agreed with the Libyans that a road is desirable, and that this road should be an all-weather gravel road, many of which exist in the United States. Afterwards, the Ambassador said, the Libyan side decided that a paved road should be constructed. At this point, the Ambassador recalled, we suggested a review of the technical aspects of the construction. The Libyan side, however, did not accept the American offer to assist in a complete engineering survey such as was needed, and we concluded that our participation in the project was not wanted.



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At this point the Minister interrupted to say that a gravel road cost too much and would not last long. He then returned to his theme that mistakes in the present contract can be rectified. He emphasized, however, that by this he did not mean the present contract should be canceled; that was impossible and would be an "insult" to the Government. The Ambassador explained that what we are up against is an American legal requirement, specifically Section 517 of the Mutual Security Act, provisions of which apply to similar projects in all parts of the world in which there is American participation. According to this law unless proper engineering studies are made and specifications agreed on beforehand, we cannot participate in the execution of a particular project. Mr. Jones continued that the only way in which the United States could consider participating in Fezzan Road construction would be for the Libyan Government to cancel the present contract at a point in time or at a point in construction along the road. Then, the Ambassador said, necessary surveys could be made on the remainder of the road and contracts let according to sound practices for the remaining construction.

Mr. Kizza indicated with an eloquent shrug of the shoulders that this was impossible. But, he said, no matter about the road, what really counts is cooperation, frankness and sincerity between Americans and Libyans. The Ambassador rejoined in a similar vein saying that he respects these views of the Minister and this fine spirit.

The Minister then looked at his watch (45 minutes of conversation had elapsed) and announced that he must be on his way to Beida. He said that there would be a meeting of the Council of Ministers on the following day and then we would know about the move of the Libyan Government.